



June 2014 Newsletter

While this newsletter is heavily focussed on the recent budget announcement, we have a number of items to draw your attention to that we think are worth highlighting. On a side note, Fairfax reported that the ATO has drawn the line at some revealing or immodest outfits of their staff and has resorted to sending them home. Quite often young employees new to the work force need guiding on this issue so if you have employees who dress inappropriately for work you can be confident in clarifying your expectations.

The ATO is making their own contribution to the economy and biting the bullet by bringing forward by a year the planned reduction of 1,600 staff. We fear this will have a direct impact on resource allocation in the short and medium term. The downside for our clients is that the ATO will take longer to respond regarding queries and reduction in GIC, penalties and interest so if you have been lagging behind on your lodgements, they are not going to be as flexible as they have been in the past.

From a taxation aspect, the Budget was relatively “light on”, although a significant range of welfare benefit changes were announced as projected savings from those run into billions and form a substantial part of the Government’s deficit reduction drive.

In an attempt to show fiscal restraint, the government identified spending on health and welfare to be reduced while simultaneously using infrastructure developments including building projects to stimulate the economy. This includes combining budgets of the three tiers of Government and private interests of over \$125 billion hopefully generating thousands of jobs.

Key Budget items include:

- \$50 billion infrastructure spending.
- \$20 billion medical research future fund investment.
- 2% debt levy on \$180,000+ earners for period 1 July 2014 – 2017 (3 years).
- Medicare Levy will increase from 1.5% to 2% to fund Disability Care Australia from 1st July 2014. This increases the top marginal rate of tax from 46.5% to 49% for the next 3 years.
- Re-introduction of fuel excise indexation, prescriptions increase +\$5 & \$7 co-contribution for GP visits.

Personal Tax

Students HELP - (previously HECS) From January 2016 government caps on tuition fees for higher education will be removed while the government’s average contribution towards course fees will be slashed by about 20%. Increasing student debt could put the plans for young entrepreneurs and people wishing to purchase their first home plans on hold.

Job Seekers - under 30 years old will have to justify access to payments to be earning, learning or participating in work for the dole programs. From January 2015 that age group must demonstrate their intention to source work for 6 months prior to receiving payments. By July 2015, Newstart & Youth Allowance recipients will also come under these rules.

First Home Savers Scheme Abolished - new accounts opened from budget night will not be eligible for concessions as the co-contributions cease from 1 July 2014. Tax concessions, income and asset test exemptions for government benefits associated with these accounts cease 1 July 2015. From 1 July 2015 account holders can withdraw their account balances without restriction.

Employer Incentives for the Over 50s - employers can receive up to \$10,000 Government assistance divided into three separate payments if they hire a previously unemployed for over 6 months candidate for a full time job seeker over 50 years old under the new restart program. Payments are made at 6, 12, 18 and 24 month intervals and need to demonstrate that the role is “sustainable and ongoing” instead of displacing existing workers.

Superannuation & Retirees

Commonwealth Seniors Health Card - Income threshold of \$50,000 pa (singles) and \$80,000 pa (couples) has not changed since 2001. These thresholds will now include super payments to individuals over the age of 60 despite being exempt for income tax purposes.

Aged Pension - rising the aged pension age to 70 by 2035 means a 48 year old would need to work until 70 before receiving the benefits. Not many 70 year old people can lift roof beams, dig plumbing trenches, paint above their heads or run courier jobs. and sounds like a policy derived by people sitting in offices.

The compulsory employer superannuation guarantee rate increases to 9.5% from 1 July 2014. The change is that it will stay at this rate until June 2018.

Company tax - Rates will be reduced from 30% to 28.5% from 1 July 2015. For companies with taxable income exceeding \$5m, these savings will be offset by a 1.5% paid parental leave scheme levy. Reduced franking credits (provided at 28.5%) will result in an increased amount of top-up tax at shareholder level. . This measure will also reduce the tax refunds for Self Managed Super Funds that invest in shares

Property Investors - The good news for those who own property is that the government is relying on continuing low interest rates and more consumers spending to help grow the economy. Low interest rates, strong population growth, new household formation creating pent-up demand, increasing household wealth and greater consumer spending means the outlook is good for our capital city property markets. This means the relative benefits of owning your own home or investment property is as affordable as it has been in the last decade. If you’ve been fortunate enough to get into the Real Estate market by now, you would be well placed to quietly grow your wealth over the next decade. For those of you still considering this avenue, register for our next property seminar so that you are well prepared for what is involved and how you can plan to maximize your financial future when you go down this path.

Medicare Levy will increase from 1.5% to 2% from 1 July 2014 which has already been legislated

Farm Tax Seminar

We last ran a seminar on Farm Tax in February 2011 and a number of people have asked when the next one will be scheduled. We are pleased to announce that Tuesday 16th September will be the date so please put this in your diary immediately. Topics that will be addressed include clarifying what are the benefits of being a primary production business, claiming losses, income averaging, CGT, GST issues for farmers and the benefits of a variety of business structures are amongst other items for discussion. A flyer is attached. As always David’s easy to read notes will be available in the take home package and a follow up call to answer any queries. Supper will be provided and you will be able to ask questions within the small, interactive forum.

Murray to Moyne Charity Ride

In a recent newsletter, we mentioned that David was participating in the Murray to Moyne charity ride also known as the M2M. We are pleased to announce that the group raised \$12,000 to support local charities of Windarrang (Disability Support), Ray M Begg (Aged Care) and the Kyneton Ambulance Auxiliary.

How one baker converted his dough into gold! (Another Clever Client)



According to the Great Australian Meat Pie Competition held annually in Sydney, the pie industry in Australia has reached the \$1 billion mark in annual sales. Despite the size of the market, a gold medal win by master baker Brendan Page owner of Kyneton Bakehouse for his Mexican Pie in the Red Meat Category is a huge coup given that he was up against 10,000 entries.

Since January 2008, he and partner Coreena Price have been entering the competition annually and while they have won more than 30 awards in a variety of categories, this is the big one! Currently Brendan's award winning breads are supplied throughout the Macedon Ranges and Hepburn Shire.

Schedule lunch at 52 Piper St, Kyneton and try one of their pies!

Business Plans (& why you need them)

If you are thinking of starting a business or even extending your overdraft to fund expansion of an existing one, financial institutions place huge importance on a good business plan as it indicates that you are organized, well researched and prepared for the challenges ahead. This will make it far easier process to obtain a loan but more importantly, you can be offered a better interest rate because the banks anticipate that you won't be at risk of not being unable to pay it back. We update our business plans every 18 months and review the previous one to reflect on what we have achieved. The value to the business owner ensures that you identify your client base, marketing opportunities and articulate the direction of the business. Writing your thoughts down and distributing to team members for discussion is a good way to get everyone on board. You can then request feedback regarding pitfalls and get some great projects to implement. Here at David J Gibney Pty Ltd we can provide a great business plan template and assist with the review and implementation of the projects.

What? David is 50?

Earlier this year David turned 50 (& the sky didn't fall in!) While he wanted to let it slip past quietly, the team has encouraged him to take time off to celebrate as we can manage the office without him. He will join his regular group of bike riders on a planned trip to cycle around the Italian alps surrounding Lake Como for two weeks between Friday 27 June and Tuesday 15 July. If there are any issues looming such as the purchase of a house or business, please get into see him well before his departure date.

Our energetic, knowledgeable and caring approach gives peace of mind.
If you need further information or to discuss your specific circumstances, please call David at our office.

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